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ACTION AF-18

INFO OCT-01 EUR-20 NEA-10 ER-11 DEP-01 INT-08 SS-14 NSC-10

L-03 RNS-01 COME-00 TRSE-00 CIEP-02 OPIC-12 CIAE-00

INR-09 NSAF-00 PSC-01 OMR-01 RSS-01 ADD-00 /123 W

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P 001240Z JAN 73
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9532
INFO AMEMBASSY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TUNIS

C O N F I D E N T I A L TRIPOLI

DEPT PASS CAIRO

SUBJ: THE LARG, RUNKER/HUNT AND PARTICIPATION

REF: TRIPOLI 1925, 1941

1. WE ARE BECOMING PERSUADED THAT LARG'S MOTIVES WERE AT BEST MIXED WHEN RUNKER HUNT REPS WERE CALLED IN FOR RECENT FLURRY OF TALKS AND THAT DEC 22 MIDDLE EAST ECONOMIC SURVEY ARTICLE WHICH SPEAKS OF "CRITICAL IMPORTANCE" OF NEGOTIATIONS IS OFF THE MARK.

2. WHILE PARTICIPATION WAS OF COURSE BROACHED DURING TALKS IN GENERAL TERMS, IN RETROSPECT IT IS MORE LIKELY LARG'S IMMEDIATE, IF NOT PRIMARY, GOAL WAS TO JUSTIFY THE REDUCTION OF ITS LIFTINGS IN FAVOR OF THE LARG'S ARAB GULF EXPLORATION COMPANY AND THEREBY TO FORCE SH TO MARKET AGFC OIL UNDER A NEW OPERATING AGREEMENT.

3. SITUATION IS COMPLICATED BY FACT RH AND OTHER OIL COMPANIES HERE HAVE DIVERGENT INTERESTS AT THIS

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STAGE AND MAY NOT BE WHOLLY CANDID WITH EACH OTHER OR WITH US. ON ONE HAND RH CAN INVOKE OIL POOL AGREEMENT IF IT CAN PERSUADE INDUSTRY IT INDEED RECEIVING INITIAL BRUNT OF PARTICIPATION NEGOTIATIONS BY BEING TEMPORARILY OR PERMANENTLY SHUT IN. ON OTHER HAND, IF RH'S MAIN PROBLEM IS ITS RELATIONSHIP WITH AGEC, THEN INDUSTRY AS A WHOLE CAN WITHHOLD ITS SUPPORT.

4. MAJORS AND LARGER INDEPENDENTS MAY WELL FEEL THAT THEIR INTERESTS COULD BE HURT IF PRECEDENT-SETTING CONCESSION MADE BY RH ON PARTICIPATION. LATTER, WITHOUT OPERATING AGREEMENT AND AS READER OF ABSENTEE LANDLORD STIMMA, IS EASIEST TARGET FOR LARG IN ANY NEGOTIATION SITUATION. IN SUCH AN ATMOSPHERE, IT IS NATURAL THAT RH WOULD WISH TO PLAY UP "PARTICIPATION" ASPECTS OF TALKS, WHILE REST OF INDUSTRY HERE TELLS EVERYONE WHO WILL LISTEN THAT LARG REALLY FISHING FOR RH OPERATING AGREEMENT WITH AGEC. LASTLY, LARG, WHATEVER ITS OTHER MOTIVES, WAS PROBABLY HAPPY TO HAVE EXCUSE TO INCREASE AGEC'S ALLOWABLE THROUGH TEMPORARY SHUTTING IN OF RH. LIBYANS APPARENTLY DO HAVE INCREASED COMMITMENT TO CRUDE PURCHASES, PRESUMABLY EASTERN EUROPEANS.

5. NOW THAT OASIS PARTNERS HAVE BEEN SUMMONED TO NEGOTIATING TABLE (TRIPOLI 1975), SIGHTS HAVE APPARENTLY SHIFTED FROM RH. EVIDENCE IS THAT OTHER COMPANIES MAY SOON BE SUMMONED ALSO. [REDACTED]

[REDACTED] NOV 22, 1972 BALANCE SHEETS OF ALL COMPANIES WERE AUDITED DURING THE PAST WEEK IN MANNER INDICATING LARG TRYING TO COME UP WITH NET BOOK VALUE FIGURES FOR ASSETS.

6. LARG WILL OF COURSE FOLLOW ITS OWN TIME TABLE AND PRIORITIES IN PARTICIPATION TALKS, BUT IT PROBABLY DOES NOT HAVE EITHER CLEARLY FORMULATED. OUR GUESS IS THAT "HUNKER HUNT PROBLEM" WILL INCREASINGLY BE SEPARATED FROM GENERAL ISSUE OF PARTICIPATION WHICH LARG WILL PURSUE WITH ONE OR MORE OF THE LARGER PRODUCING COMPANIES. GDS.

JOSIF

NOTE BY OASIS TRIPOL 0007 NOT PASSED CAIRO.

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